



Trip Report: Productivity Enhancement Program For Swaziland

Advisors:

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Submitted by:

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PURPOSE:

The objectives of the visit were to:

- ✍ Undertake mini-audits of the garment manufacturers taking part in the Productivity Enhancement Program
- ✍ To work with the Swaziland Investment Promotion Authority (SIPA) to refine the Swaziland Productivity Enhancement Program.
- ✍ To work with the Ministry of Enterprise and Employment's SME Unit (Small and Medium Enterprise) to identify local service providers
- ✍ To finalize logistics for Swazi delegates to the Lesotho Conference
- ✍ To attend the Lesotho Productivity Conference to: present the Hub's Productivity Enhancement Program, meet with regional providers, and meet with ComMark to discuss further planning for regional productivity activities

Team members for this visit consisted of Ms. Maggie Makanza, Hub Institutional Capacity Building Specialist; and Tim Canedo, Business Development Specialist, also of the Hub.

LOCATION AND DATES:

Work was carried out in Swaziland (03 May to 10 May 2004) and in Lesotho from 13 May to 16 May 2004.

HIGHLIGHTS:

1. Thanks to Roger Kenna for his kind reception at the US Embassy in Swaziland. Thanks also to Dorothy Mlambo, also of the US Embassy, for her assistance, especially with logistics related to the Swazi delegates to the Lesotho Conference. The team debriefed the Embassy on the proposal for recasting the PEP program due to uncertainties over AGOA III extension
2. The Hub team visited and had discussion with 5 garment factories and below is a summary of the sentiments from our meetings
 - There are concerns that orders for the coming six months production period have not been forthcoming as the buyers are anxious about the extension of AGOA III.
 - Most manufacturers are frantically working on their orders for containers to be in the USA by 30th, September 2004.
 - If orders are not received by the end of June some companies will be closing operations for at least four to six months (October to December, 2004) only to begin operations in January 2005, as they would have missed the order period. This would mean that manufacturers would have to lay off staff.
 - Some buyers have already approached manufacturers with suggestions to consider moving their operations to Cambodia, Burma and Vietnam.
 - Should the third country fabric provision under AGOA III not be extended only 2 of the 30 plus garment manufacturers in Swaziland would be able to continue operations.
 - The Rand exchange rate has meant that companies have, since moving to Swaziland, lost almost 50% in potential revenue.

3. The Hub team would like to extend its sincere thanks to SIPA, our strategic partner for coordinating the visits to garment factories. In an extensive meeting with the Chief Executive of SIPA, Mr. Bheki Dlamini, he emphasized the importance of the Productivity Enhancement Program to the Swaziland garment industry. He pointed out that should AGOA III be approved, and the lifting of quotas on China in 2005 be effected, it will become more imperative for Swaziland to be able to compete with the Asian countries. However, the current environment, with garment industry concerned about AGOA III extension and the value of the Rand, the implementation of the Productivity Program cannot proceed. The discussion therefore focused on the options for the Productivity Enhancement Program.

The meeting with SIPA agreed on the following

- SIPA recommitted itself to actively participating in the program and play the role of coordinator as the program is consistent with its strategic plan and vision
- SIPA noted the significance of the program particularly with the lifting of quotas in 2005 for China.
- Those meeting agreed to recast the Productivity Enhancement Program and delay its implementation pending the passing of the AGOA III legislation. Those meeting agreed that activities should continue through frontloading the training of local service providers in partnership with regional service providers and the European Union (EU), Center for Development Enterprise (CDE). The meeting highlighted the following points
 - a. Implement a pilot productivity program with few companies perceived to be ready eg SUNHO Group, Tex Ray and Tuntex as part of a capacity building program for local service providers. This preparatory work would focus on upgrading the skills of local service providers using regional service providers. The team has identified regional service providers ready to work with the local service providers in Swaziland (*See notes on Lesotho*). The rationale for this is that, once the environment is conducive, there would be local service providers to able to service the garment industry.
 - b. Discuss with Centre for Development Enterprise the possibility of funding a capacity building program for local service providers using regional service providers. CDE had, in earlier discussion with Hub consultants, indicated its interest in being involved with the program.
 - c. Discuss with ComMark Trust possibilities for support to the program post September 2004. ComMark has indicated in the past that this may be possible subject to funding.
 - d. Discuss with the SME Unit in the Ministry of Enterprise and Employment with regards to support for the local service providers.
 - e. Through Hub facilitation, discuss role clarification between the main players ie.:
 - SIPA-SME Directorate
 - Ministry of Enterprise and Employment-SME Unit
 - EU-Centre for Development Enterprise
 - ComMark Trust
 - Swaziland Garment Manufacturers

4. The Hub team met with the Director of the SME Unit in the Ministry of Enterprise and Employment, Mr. Stewart Bertram to establish the availability and capacity of Service Providers in Swaziland. The main objective of the SME Unit is to provide a focal point for coordinating SME support through financing, business development services and identifying opportunities for subcontracting/outsourcing. The meeting established that there is a directory of service providers produced by the SME Unit as well as SEDCO. However, the directory made available to the consultants showed a mixture of NGOs and parastatals whose mandates are much broader with a few service providers that could be developed to service the garment manufacturers. The Director of SME and SIPA as well as the garment manufacturers all agree that the local capacity to service garment manufacturers is low.

5. Lesotho Productivity Enhancement Conference (14th -15th May, 2004).

The team also finalized the selection of five delegates from Swaziland to attend the Lesotho Productivity Enhancement Conference in Maseru. Three delegates were selected from the garment manufacturers (*TexRay, Tuntex and Jenia Garments*) with two delegates selected from SIPA (Director SME) and Ministry of Enterprise and Employment (Director -SME UNIT). The objective of having participants from Swaziland attend the Productivity Conference was for them to learn from the successes and challenges being faced by the Lesotho Garment industry as well as meet and network with potential counterparts.

The issues raised at the Lesotho conference are very much similar to those affecting most of the textiles and garment manufactures in the region. Issues of labor relations and HIV/Aids were also discussed with regards to their impact on productivity and competitiveness. The major buyers like Gap Inc. were also present, highlighting critical issues of compliance for the garment manufacturers. It was evident that as we move into the future, enhancing productivity and competitiveness beyond AGOA is of extreme importance for Southern Africa. China is said to be investing in the textile and garment industry and is set to double its outputs by the year 2010. The conference was very well attended and the Hub team presented a paper on the ‘*A proposed model for Productivity Enhance for Garment Manufacturers in Southern Africa: A case for Swaziland.*’ (see PowerPoint presentation in Annex 2) Also attached in Annex 3 is a selection of the papers presented at the conference.

At the conference the Hub team met informally with potential regional service providers including the National Productivity and Competitiveness Council (NPCC) from Mauritius, which has vast experience and tools for developing the garment industry. Seven key providers identified expressed interest in:

- Working with Service Providers in Swaziland on joint ventures/partnerships.
- Building capacity of local service providers through training programs and mentorship
- Direct provision of service to garment industries in Swaziland

The Hub team is following up with the identified regional service providers with a view to linking them with local service providers in Swaziland as well as developing a capacity building program for Swaziland.

ISSUES

1. Recasting the Productivity Enhance Program

Due to the uncertainty surrounding the extension of the AGOA III legislation, the Hub and SIPA agreed that the Productivity program be recast as follows:

Phase I: Capacity Building of Local Service Providers

This includes

- a. Identifying local SME service providers in Swaziland using the SME Unit directory as a starting point.
- b. Assessing the capacity gaps for local service providers
- c. Developing a capacity building program with the identified regional service providers in South Africa and Mauritius.
- d. Implement the capacity building program which could be a mixture of training on specific tools and methods as well as conducting productivity audits in three pilot companies identified as Tuntex, SUNHO Group and Tex-Ray

Phase II: Matching/Partnership ventures with regional service providers

- a. Identify areas for potential outsourcing to local service providers
- b. Choose SME's service providers from the capacity building program, to take up opportunities in the garment sector
- c. Provide assistance with contracting arrangements to local service providers through the SME Unit in the Ministry of Enterprise and Employment
- d. Match local Service providers with regional service providers for partnerships and joint ventures

Phase III: Implement Productivity Enhancement Program

Identify and recruit a program coordinator through EU-CDE to facilitate program implementation. A job description has already been developed and CDE has expressed interest in exploring the possibility of supporting the program through the funding of a short-term coordinator.

RECOMMENDATIONS

The team recommends that the Productivity Enhancement Program for Swaziland be recast with Capacity Building of Service Providers being front-loaded to prepare them for potential partnerships with regional Service Providers. Regional service providers have been identified and all have expressed interest in working with local service providers in Swaziland, either through capacity building initiatives or joint ventures. The Hub team is currently talking to EU-CDE to solicit support for the capacity building program.

Annex 1: List of Stakeholders Met in Swaziland and Lesotho

Productivity Enhancement Program (PEP) Swaziland -3rd –8th May, 2004 Lesotho -14th –15th May, 2004	
ORGANIZATION/INSTITUTION	Contact Name/Position
SWAZILAND INVESTMENT PROMOTION AUTHORITY (SIPA) 7 th floor, Mbandzeni House, Church Street, Mbabane. P. O. Box 4194, Mbabane, Swaziland Tel: 268) 404-0470/2/3/4*Fax: 268) 404-3374 Email: info@sipa.org.sz Website: www.sipa.org.sz	Bhekile Dlamini-Chief executive Officer John Creamer - Director –SME's
Leo Garments (Pty) Ltd P.O. Box 111, I avenue, Plot 482-South West Matsapha Industrial Site, Matsapha, Swaziland Tel: (268-518-4785/4792/4760 Fax: (268) 518-4755 Email: leogmt@realnet.cosz	Mr. Leo Hsiao - General Manager
TUNTEX TEXTILE CO., (PTY) LTD (TUNTEXT GARNET CO.,(PTY)LTD) Site 513, Matsapha Industrial Area, P.O. Box 1898, Matsapha, Kingdom of Swaziland Tel: 268-51 85447/85485 *Fax: 268-5190011	Zwile Mkhathshwa
Sant Law Swaziland LTD	Ms. Jeffrey Tsen
Ministry of Enterprise and Employment SME Unit	Stewart Bertram Director SME Unit
USA Embassy US Embassy Public Diplomacy Alistair Street, Mbabane, Swaziland Tel: 268-404 2059 *Fax: 268-404-5846	Roger Kenna Dorothy Mlambo – Commercial Assistant, Mobile: 268-6046713 Email: mlambodn@state.gov
Proton Textiles Matsapha Industrial Site Swaziland	Mark Chang Joe Lee
Jenia Garments,	James Mwalwembe-

Manzini Swaziland	General Manager
ComMark Trust PostNet Suite 598 Private bag X29 Gallo Manor 2052 South Africa Maple Place South Momentum Park 145 Western Service Road Woodmead 2148 Tel: 27 11 802 0785 fax: 27 11 802 0798 Website: www.commark.org	Andy Salm - Regional Textile and Apparel Specialist 082-701 5484 Email: andy@commark.org
Training Within Industry International Tel: 27 21 554 2312	Victor Chinn Executive Director Mobile 083 555 0152 Email: vchinn@iafrica.com
National Productivity and Competitiveness Council (NPCC) 7 th Floor, St. James Court St. Denis Street Port Louis, Mauritius Tel: 230 211 8118	Nikhil Treebhoohun Executive Director Email: natpro@intnet.mu
Methods Workshops Tel: 27 21 439 7942	Roger Thomas Managing Director Email: roger@methods.co.za
StraConsult 2 Johanna St. Port Louis, Mauritius Tel: 230 210 7033	L. Amedee Darga Managing Partner Email: straconsult@intnet.mu
Schultema P. O. Box 877 Walkerville, 1876 Tel: 011 788 0882	Wendy Lambourne Cell: 082 8004188 Email: lambournew@lantic.net
Competitive Capabilities International Tel: 27 11 807 8777	Derik Duvenhage Email: derikd@ccint.net
National Productivity Institute P.O. Box 47600 4023 Greyville Tel: 031 312 2090	Mervin Matthee Senior Productivity Advisor Cell: 083 303 4092 Email: mervin.matthee@npi.co.za

**Annex 2 A proposed model for Productivity Enhance for Garment
Manufacturers in Southern Africa: A case for Swaziland.'(PowerPoint
presentation)**



A Proposed Model for Productivity Enhancement in the Textile and Garment Industry in Southern Africa

15 May 2004



The Hub supports the US government TRADE initiative by:

- Enhancing the competitiveness of African products and services
- Expanding the role that trade can play in African poverty reduction strategies
- Promoting US/African business linkages
- Improving the delivery of business services by the public and private sector that support trade
- Strengthening capacity for trade policy reforms to promote an enabling environment for trade and investment



Productivity Enhancement Program an Overview

- Garment industry facing increasing competitive pressure
- Greater productivity equals greater profitability
- Use of local service providers
- The program will result in:
 - Improved competitiveness of garment manufacturers
 - Increased participation of local SME service providers
 - Increased sustainability and permanence of the garment sector



Productivity Enhancement Program: Step by Step Process

- General Needs Assessment
- Analysis of Needs >> Service
- Identification of Local Service Providers
- By-in From Garment Manufacturers – Refine Assessment
- Determine Upgrading Needs of Service Providers
- Implement Upgrading Scheme
- Determine Modes of Service Delivery
- Contracts Between Local Services Providers and Garment Manufacturers
- Monitoring (throughout the process)

Productivity Needs – A Case for Swaziland

- Generalized Productivity Needs from ComMark Lesotho Study
- Some Established Needs:
 - Quality management
 - Laws and Regulations (incl. Labour laws)
 - Inventory Management/Theft Management
 - Team Building
 - Production Planning
 - Human Resource Management (incl. Recruitment, performance measurements, incentives, dispute resolution, etc.)

Linking Productivity Needs to Service Provision

- Accurate interpretation of needs
- Services that address identified needs
- Matching service providers with established needs
- Ensuring that service providers have the capability to deliver quality services that will result in a significant change in productivity



Productivity Enhancement Program Benefits and Results

- Greater participation of SME service providers in the garment manufacturing value chain
- Production cost for garment manufacturers will decrease leading to greater competitiveness
- Greater possibility that, through greater competitiveness, the garment manufacturers will remain a permanent part of the regional economy
- A productivity enhancement model that can be replicated in other countries and with other sectors

Annex 3 Selected Presentations to the Productivity Conference in Lesotho

- Gillian Forrest of CARE explores ways in which stakeholders can cooperate in their responses to the threat of HIV AIDS.
Despite efforts of many national governments within the region to scale up the national responses to HIV/AIDS, public services are not easily available. Within this context, employers have a key role in providing services to employees and their families.
A PowerPoint slide presentation and a Narrative are available as separate files.
- Sean Jelley of **life**works examines some of the strategies which employers can use to manage HIV in their workplace.
- Mark van Buuren's presentation examines the roles of various stakeholders (Government, Employers, Trade Unions and Customers) in the apparel industry and what each can do to improve productivity for the sector.
- The paper by Lim Pao Li presents a case study of the Penang Skills Development Centre in Malaysia. This centre, one of the best training centres in Malaysia, developed the the Global Supplier Programme which builds linkages between multi national companies and smaller businesses, leading the integrating of the latter in the global economy. Both a narrative and slide presentation are available.
- The paper and slide presentation by Thando Njoko of Pricewaterhousecoopers identifies categories of risk that various stakeholders, from government and factory owners through to customers, in the garment industry are exposed to as a result of HIV and AIDS. The presentation then discusses various strategies that factory owners and managers can implement to combat this exposure.
- In 1985 Victor Chinn formed **TRAINING WITHIN INDUSTRY** to improve productivity in Africa.

In 1985 Victor Chinn and his team established the Supervisor training programme Acorn ©, a first in Production training in Southern Africa.

A phenomenon in learning at the time, Acorn © was to become the flagship programme for TWI and train over 2500 Supervisors internationally over the next 15 years. Since 1994 TWI have installed over 1100 workstations in Southern Africa and trained over 1200 operators in its use, lifting productivity in some cases by over 40% and giving clients payback in less than 2 years.

- The presentation by Prishani Satyapal of PricewaterhouseCoopers will illustrate how organizations can effectively incorporate clients' expectations into the way they do business. Material covered in the presentation will include:
 - Moving away from compliance
 - Setting the standards
 - Evaluating your ethical footprint
 - Developing true corporate strategy and risk management
 - Helping each other
- Adele Maruatona, Research Associate, ECIAfrica, South Africa of ECIAfrica's HART Programme presents on the programme's HIV/AIDS approach for SMEs. Over the last year, ECIAfrica has designed and tested a particular approach for planning and implementing HIV/AIDS workplace programmes for SMEs.

The approach is based on the understanding of the functioning and structure of small businesses and it aims at creating an effective demand for HIV/AIDS services for the SME workplace. The authors of the research are Paolo Craviolatti PhD, Senior Specialist at ECIAfrica and Adele Maruatona.

- Wendy Lambourne of Schuitema Associates presents a study entitled 'Leadership as a Strategy for Enhancing Productivity' based on a case Study of African Explosives Ltd.

After emerging from 86 years of trading as a monopoly, African Explosives Ltd found itself out of touch with international trends and efficiency levels. Despite several efforts to contain costs the company was faced with declining profitability levels, a poor safety performance, product quality problems and demoralized employees. This presentation describes the Leadership strategy deployed by African Explosives. What was done, how it was done and lessons learned.

Both a narrative and slide presentation are available.

- Ndumiso Matlala of the National Productivity Institute, presents on 'Bridging the Gap Between Formal and Informal Economy'. The NPI will introduce the audience to the concept of productivity through creating linkages that add value for both the formal and informal sectors of the economy. Going beyond conventional productivity enhancement to building productive capacity among those caught in the web of underdevelopment.
- Derik Duvenhage of Competitive Capabilities International, presents on 'Sustainable Performance Improvement through Best Practices and Empowerment'.

The presentation identifies that short term gains can easily be achieved through a traditional Lean Improvement Programmes, often driven from the top. Very often these programmes generate acceptable early improvement gains, but more often than not these initial gains are not sustainable over time. Business leaders have to carefully select new initiatives (1) ensuring continued buy-in from all stakeholders and (2) installing a business process that will drive continuous improvement. Without these pre-requisites, improvement programmes will never realise sustainable and ongoing benefits.

The presentation is not yet available.

- Roger Thomas of Methods Workshop (Pty) Ltd, South Africa asks 'Are you Doing Everything you can to Stay Competitive?'

The presentation will indicate major areas of potential cost saving and productivity improvement, we will cover the importance of Production Engineering, fabric utilization and efficiency control. The presenter will show photographs of factories in other areas of the world, showing how the competition is equipped and how their factories are organized.

Please note that this presentation has had the photographs deleted to reduce the size of the file.

- Nikhil Treebhooon, the Executive Director of the National Productivity & Competitiveness Council (NPCC), in Mauritius presents a case study on 'Improving Productivity and Competitiveness of the Textile and Garment Industry'.

The presentation will look at the work of the NPCC to address the problems facing the Textile and garment industry in Mauritius including the establishment of the Textile

Emergency Support Team (TEST) and the assistance that they have given to enterprises in the area of productivity improvement through in-plant interventions. The presenter will discuss the benefits of the interventions such as improvement in physical environment, throughput time, storage space, stock levels, inventory management, utilisation of production floor space, quality levels, production changeover and machine utilisations.

- Lindsay Falkov, Director Resolve Group, South Africa presents an overview of a new TVET Strategy and Policy for Lesotho.

The presentation will be on a new draft Technical and Vocational Education and Training (Skills Development) strategy and policy for Lesotho. The Ministry of Education and Training has embarked upon a policy development process for TVET in Lesotho. This process has included a review of the performance and policy of the existing TVET system, with a view to developing a new demand-led training system for the country. The presentation will focus on a new strategy for skills development supported by new performance enhancing governance, funding and delivery arrangements. The presentation will be followed by an open discussion.

- Ernest Faustner, Deputy Resident Representative, International Cooperation in Lesotho highlights the commitments to the implementation of the Integrated Framework with particular relevance to the garment sector.

A slide presentation and narrative are available.

- Andy Salm, Textile and Apparel Sector Specialist, The ComMark Trust presents 'An introduction to the ComMark Trust and the Lesotho Apparel Project'

This presentation will discuss the projects, goals and the resources available to assist the textile and apparel industry to remain globally competitive and sustainable. It will also discuss mechanisms of a training fund established to co-finance training and productivity enhancement within the industry.